

School for a New Millennium, Inc.

Baton Rouge, Louisiana

*Financial Statements
and Supplementary Information*

Year Ended June 30, 2012

William D. Mercer, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
School for a New Millennium, Inc.
Baton Rouge, Louisiana

I have audited the accompanying statement of financial position of School for a New Millennium, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School for a New Millennium, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year the ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 26, 2012, on my consideration of School for a New Millennium's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the auditor's report on the financial statements.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as whole. The schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 26, 2012

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SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS

CURRENT:

Cash and cash equivalents	\$ 551,806
Accounts receivable	199,004
Prepaid expenses	<u>50,451</u>
 Total Current Assets	 <u>801,261</u>

PROPERTY AND EQUIPMENT:

Building and land improvements	34,782
Furniture	43,828
Land	139,066
Machinery and equipment	390,478
Playground equipment	<u>33,891</u>
	642,045
Less accumulated depreciation	<u>293,538</u>
 Net Property and Equipment	 <u>348,507</u>

LONG-TERM:

Prepaid expenses – noncurrent	<u>426,745</u>
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TOTAL ASSETS	\$ <u><u>1,576,513</u></u>
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The accompanying notes are an integral part of these financial statements.

LIABILITIES

CURRENT:

Accounts payable	\$ 21,320
Accrued expenses	18,236
Payroll taxes payable	<u>5,765</u>

TOTAL LIABILITIES (all current) 45,321

NET ASSETS

Permanently restricted	-
Temporarily restricted	149,000
Unrestricted	<u>1,382,192</u>

TOTAL NET ASSETS 1,531,192

TOTAL LIABILITIES AND NET ASSETS \$ 1,576,513

The accompanying notes are an integral part of these financial statements.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES:			
State charter school funding	\$ 2,244,239	\$ -	\$ 2,244,239
Grants	27,017	174,000	201,017
Other miscellaneous revenues	62,446	-	62,446
Net assets released from restrictions	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total Revenues	<u>2,408,702</u>	<u>99,000</u>	<u>2,507,702</u>
EXPENSES:			
Program services:			
Academic programs	1,719,296	-	1,719,296
Supporting services:			
General and administrative Expenses	575,675	-	575,675
Loss on disposal of assets	<u>96,869</u>	<u>-</u>	<u>96,869</u>
Total Expenses	<u>2,391,840</u>	<u>-</u>	<u>2,391,840</u>
Change in net assets	16,862	99,000	115,862
NET ASSETS, beginning of year	<u>1,365,330</u>	<u>50,000</u>	<u>1,415,330</u>
NET ASSETS, end of year	\$ <u>1,382,192</u>	\$ <u>149,000</u>	\$ <u>1,531,192</u>

The accompanying notes are an integral part of these financial statements.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 115,862
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	57,177
Loss on disposal of assets	96,869
(Increase) decrease in:	
Accounts receivable	(65,764)
Prepaid expenses	(226,964)
Increase (decrease) in:	
Accounts payable	(26,059)
Accrued expenses	(3,669)
Net cash used by operating activities	(52,548)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for purchase of property	(100,700)
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NET DECREASE IN CASH (153,248)

CASH AND CASH EQUIVALENTS, beginning of year 705,054

CASH AND CASH EQUIVALENTS, end of year \$ 551,806

The accompanying notes are an integral part of these financial statements.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

School for a New Millennium, Inc. (the School) is a not-for-profit organization incorporated in November, 1995, under Louisiana Revised Statute 17:3991. The School began operating as a charter elementary school in Baton Rouge, Louisiana, under contract with the East Baton Rouge Parish School Board in 1995. In 2009, the School entered into a contract with the Louisiana Board of Elementary and Secondary Education to operate a middle school (grades 6-8). The School is primarily funded by funds received under these contracts. As of June 30, 2011, the School had closed its middle school operations and operates only the elementary school.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The School regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include provisions for doubtful accounts receivable and estimated useful lives of property and equipment.

Cash and cash equivalents

For the purpose of the statement of cash flows, the School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable represents funds under charter school contracts that have been billed but not collected as of the date of the financial statements. As of June 30, 2012, all accounts receivable represent funds owed to the School by state and local governmental agencies. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income in the year of the disposal.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of depreciable assets, ranging from five to thirty years.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The School periodically reviews these lives relative to physical factors, economic factors, and industry trends. If there are changes in the planned use of property and equipment or if technological changes occur more rapidly than anticipated, the useful lives assigned to those assets may be shortened, resulting in the recognition of increased depreciation expense in future periods.

Revenue recognition

The School reports contributions as restricted support if they are received with no donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Revenues from government agency contracts and fees are recognized in the period in which the School provides the service.

Income taxes

The School is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

The School's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The School expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. As of June 30, 2012, the Organization had no advertising classified as assets, and all advertising was expensed as incurred.

Expense allocation

The costs of providing various academic programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Subsequent events

In preparing the accompanying financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 26, 2012, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2012, were as follows:

Cash on hand	\$ -
Cash in bank – checking / savings	521,896
Cash in bank – money market	<u>29,910</u>
	<u>\$ 551,806</u>

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – LEASE COMMITMENTS

As detailed in Note D, the School leased land in East Baton Rouge Parish for planned future facilities and expansion under an operating lease with an unrelated party. This lease was scheduled to terminate in June 2011 under a contract to purchase the land. This lease was transferred to Children's Charter School Foundation, Inc., during the year ended June 30, 2012. Rental expense under this lease totaled \$ 32,000 for the year ended June 30, 2012.

Additionally, the School leases its current teaching facilities under an operating lease with the East Baton Rouge Parish School Board. This lease, which terminated in June 2012, requires monthly payments of \$100. The term of the lease may be extended for an additional 24 months by giving written notice to the lessor on or prior to ninety days before the expiration of the initial lease term.

Rental expense under the above noted operating leases totaled \$ 33,200 for the year ended June 30, 2012.

The School leases office equipment under a Louisiana state contract. The minimum lease payment over the next three years is approximately \$ 12,000 per year.

Future minimum lease payments under all operating leases as of June 30, 2012, were as follows:

<u>Year ended</u> <u>June 30,</u>	
2013	\$ 12,000
2014	12,000
2015	12,000
2016	-
2017	-

As of June 30, 2012, the School had agreed in principle to a lease with Children's Charter School Foundation, Inc., for future facilities to be occupied by the School. As of the issuance of these financial statements, this lease had not been finalized. Management anticipates monthly lease payments of approximately \$ 15,000 once the lease is finalized and the school occupies the new facilities, no earlier than July 2013.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE D – REAL PROPERTY CONTRACT OF LEASE AND AGREEMENT TO PURCHASE

The School entered into a contract of lease and agreement to purchase a facility and land in Baton Rouge, Louisiana. The original term of the lease was for approximately thirteen months, commencing May 2010 and expiring in June 2011. The lease would automatically terminate upon the School's exercising its option to purchase the property. Rent for the term of the lease agreement was \$ 4,000 per month commencing June 2010. The School did not exercise its option to purchase the land, but transferred the contract and the associated rights to Children's Charter School Foundation, Inc., a nonprofit entity organized to fund and acquire facilities for the School's use. Rent expense paid under this contract prior to the transfer to the Foundation was \$ 32,000.

NOTE E – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended June 30, 2012, were as follows:

Interest	\$ <u> -</u>
Income taxes	\$ <u> -</u>

Noncash investing and financing activities for the year ended June 30, 2012, were as follows:

Disposal of property and equipment having a book value of \$ 96,869

Transfer of land having a book value of \$ 46,745 to Children's Charter School Foundation, Inc., to be reclassified as prepaid rent against future lease obligations

NOTE F – SIGNIFICANT CONCENTRATIONS OF RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and contract revenues.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – SIGNIFICANT CONCENTRATIONS OF RISK (continued)

The Organization maintains its cash account in a checking account at commercial banks located in Louisiana. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times through the year exceeded the federally insured limit. As of June 30, 2012, the School had uninsured cash balances totaling \$ 271,896.

The School receives a significant portion of its revenues from contracts with the East Baton Rouge Parish School Board (for elementary school operations) and the State of Louisiana (for middle school operations). As discussed in Note A, the School has ceased its middle school operations as of June 30, 2011. A reduction in the amount of revenue provided by the East Baton Rouge Parish School Board, should this occur, would have a significant impact on the School's ability to carry out its activities at current levels.

NOTE G – RETIREMENT PLANS

Elementary school employees are part of the Teachers' Retirement System of Louisiana. Middle school employees have the option in participating in a 401(k) retirement plan administered by an outside third party.



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
School for a New Millennium, Inc.
Baton Rouge, Louisiana

I have audited the financial statements of School for a New Millennium, Inc., as of and for the year ended June 30, 2012, and have issued my report thereon dated December 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered School for a New Millennium's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School for a New Millennium's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School for a New Millennium's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

December 26, 2012

William J. Mercer, CPA (APAC)

SUPPLEMENTARY INFORMATION

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

	<u>Academic Programs</u>	<u>General and Administrative</u>
Advertising	\$ -	\$ 1,144
Bank charges	-	480
Depreciation	57,177	-
Employee and retiree benefits	103,384	-
Equipment rental	-	10,663
Food services	10,462	-
Insurance	46,654	-
Legal and accounting	-	74,707
Materials and supplies	45,525	-
Miscellaneous and indirect costs	46,434	32,659
Office expense	-	3,295
Payroll taxes	89,489	13,570
Professional development	6,331	-
Professional services	153,890	42,300
Rent and utilities	70,945	-
Repairs and maintenance	67,560	-
Salaries	985,558	183,176
Security	5,334	-
Special programs and events	11,039	-
Telephone and postage	-	15,894
Textbooks and testing supplies	16,520	-
Transportation	-	197,787
Travel	<u>2,994</u>	<u>-</u>
Totals	\$ <u>1,719,296</u>	\$ <u>575,675</u>

See auditor's report on supplementary information.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

There were no findings or questioned costs for the fiscal year ended June 30, 2012.

SCHOOL FOR A NEW MILLENNIUM, INC.
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

The prior audit report for the fiscal year ended June 30, 2011, dated December 29, 2011, disclosed no findings or questioned costs.